

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 HEW-04 OES-06 AGR-05 AID-05 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00

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E. O. 11652: N/A

TAGS: EINV, ECEM, SPOP, MX

SUBJECT: NO NATIONALIZATION FOR BARBASCO PROCESSORS

REF: MEXICO 4453, 4724, 7194

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SUMMARY: THE CONTROVERSY OVER BARBASCO, SIMMERING SINCE LATE 1974, REACHED BOILING POINT IN THE LAST FEW DAYS. THE DIRECTOR OF PROQUIVEMEX APPEALED TO PRESIDENT ECHEVERRIA TO NATIONALIZE THE SIX FOREIGN-OWNED COMPANIES WHO PRODUCE DIOSGENIN. THE APPEAL WAS REFUSED AND GOVERNMENT-PRIVATE INDUSTRY TALKS TO NEGOTIATE A MUTUALLY ACCEPTABLE PRICE WERE RESUMED. MEANWHILE, THE CONTROVERSY ALSO TOUCHED ON THE SAFETY OF BIRTH CONTROL PILLS AVAILABLE IN MEXICO. END SUMMARY.

1. ON AUGUST 18, THE DIRECTOR OF PARASTATAL PROQUIVEMEX, ALEJANDRO VILLAR BORJA, SUPPORTED BY EJIDATARIOS (SMALL FARMERS) MET WITH PRESIDENT ECHEVERRIA TO DEMAND THE NATIONALIZATION OF SIX PHARMACEUTICAL COMPANIES WHO REFUSED TO BUY BARBASCO ROOT FROM PROQUIVEMEX SINCE THE JANUARY 1976 PRICE INCREASE.

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THE STEROID PRODUCERS IN FACT HAVE NOT BEEN BUYING SINCE

SEPTEMBER 1975 AS PROQUIVEMEX WOULD NOT FILL ORDERS AT THAT TIME. ECHEVERRIA DENIED VILLAR BORJA'S REQUEST. THE FOLLOWING EVENING, INDUSTRY SPOKESMEN MET WITH SECRETARY OF NATIONAL PATRIMONY ALEJO FOR A SERIES OF NEW TALKS TO AGREE ON THE BARBASCO PRICE. ECHEVERRIA AND OTHER HIGH-RANKING GOM OFFICIALS HAD EARLIER ASSURED THE CONCERNED COMPANIES THAT NATIONALIZATION WAS OUT OF THE QUESTION BUT THE LACK OF DECISION ON THE BARBASCO PRICE AND PROQUIVEMEX'S LATEST VOLLEYS HAD INDUSTRY FEARING THE WORST. THE GOVERNMENT-INDUSTRY BOARD REVIEWING THE PRICE HAD NOT BEEN MEETING SO INDUSTRY IS RELIEVED AT THE RESUMPTION OF TALKS AT THE SECRETARIAL LEVEL. THE STEROID PRODUCERS HAVE BEEN ARGUING THAT PROQUIVEMEX' PRICE OF 70 PESOS PER KILO CANNOT COMPETE WITH OTHER SOURCES OF SYNTHETIC HORMONES SO THEY WOULD HAVE TO SWITCH PRODUCTION TO OTHER COUNTRIES, THUS DEPRIVING MEXICO OF IMPORTANT FOREIGN EXCHANGE EARNINGS.

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2. THE PRESIDENTIAL AUDIENCE FOLLOWED VILLAR BORJA'S PRESS CONFERENCE OF AUGUST 16 DURING WHICH HE ACCUSED SIX COMPANIES OF MASSIVE TAX FRAUD FROM DECLARING ONLY ONE-FOURTH OF ACTUAL EXPORTS. VILLAR BORJA ALSO CALLED ON THE SECRETARIAT OF INDUSTRY AND COMMERCE TO REFUSE IMPORT LICENSES FOR DIOSGENIN, THE BARBASCO DERIVATIVE, WHICH THE COMPANIES ARE TRYING TO IMPORT FROM THE PEOPLE'S REPUBLIC OF CHINA. VILLAR BORJA SAID THAT THE SECRETARIAT OF AGRARIAN REFORM WILL PROSECUTE THE COMPANIES FOR INDEMNIZATION OF 470 MILLION PESOS TO BARBASCO HARESTERS FOR CONCESSION RIGHTS GOING BACK 25 YEARS. VILLAR BORJA ALSO CHARGED THE COMPANIES WITH CORRUPTION AND COLLUSION, AND CLAIMED THAT PROQUIVEMEX CAN PROCESS 350 TONS OF DIOSGENIN ANNUALLY, EQUIVALENT TO ONE-FOURTH OF CURRENT MEXICAN PRODUCTION AND OF IDENTICAL QUALITY, THUS DEFLATING THE MYTH OF SUPERIOR FOREIGN TECHNOLOGY. VILLAR BORJA WAS BACKED UP BY UNION LEADERS FROM THE COMPANIES AND CROM.

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3. INDUSTRY MADE ITS FORMAL REPLY THE FOLLOWING DAY DURING A PRESS CONFERENCE BY JORGE SANCHEZ MEJORADA, PRESIDENT OF CONCAMIN (CONFEDERATION OF NATIONAL INDUSTRIAL CHAMBERS) AND MANUEL ITIE, PRESIDENT OF THE PHARMACEUTICAL CHAMBER. THEY CALLED FOR A FORMAL INVESTIGATION OF THE PROQUIVEMEX CHARGES. THEY SAID THEY HAD A COPY OF A LETTER SENT BY VILLAR BORJA TO THE UNION LEADERS OF EACH

AFFECTED COMPANY, INCITING THEM TO LABOR UNREST.

4. OTHER INDUSTRY REACTION INCLUDES A NEWSPAPER ADVERTISEMENT TITLED "THE TRUTH OF THE ANTICONTRACEPTIVE PILL" WHICH CHARGES THAT MESTRIL PRODUCED BY PROQUIVEMEX IS A PIRATED VERSION AND USES AS ITS ACTIVE INGREDIENT NORESTISTERONE IMPORTED FROM HUNGARY. IT STATES THAT THE STEROID INDUSTRY HAD OFFERED ITS PRODUCTS TO THE NATIONAL POPULATION COUNCIL AT A LOWER RATE TWO YEARS AGO. PROQUIVEMEX THEN COUNTERCHARGED THAT THE STEROID PRODUCERS WERE SELLING IN MEXICO BIRTH CONTROL PILLS THAT THE FDA JUDGED TO BE A HIGH CANCER RISK.

5. THE SIX AFFECTED COMPANIES HAVE A COMBINED CAPITAL OF \$19 MILLION. TWO ARE WHOLLY OWNED BY U.S. INTERESTS: GD. SEARLE, AND DIOSYNTH(OF AMERICAN HOME PRODUCTS). SYNTEX IS A SUBSIDIARY OF AN AMERICAN OWNED, BUT PANAMANIAN REGISTERED COMPANY. SCHERRING AND STEROMEX ARE WHOLLY-OWNED GERMAN AND SWISS INTERESTS RESPECTIVELY. THE SIXTH COMPANY, PROQUINA, IS A JOINT VENTURE BETWEEN SYNTEX AND SCHERRING.

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## Message Attributes

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